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COLD WAR PROBLEMS - ECONOMIC PENETRATION

25X1A



Central Intelligence Agency

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Cold War Problems - Economic Penetration

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Introduction

In discussing the intelligence approach to cold war problems, particularly Bloc economic penetration, we have selected six questions which appear to offer possibilities for fruitful syndicate discussion. These are:

1. What are Sino-Soviet Bloc capabilities for trade and development aid?
2. What are the Bloc's motivations for engaging in an economic penetration offensive?
3. What are the Bloc's internal and external organizational arrangements for carrying out this offensive?
4. What are the primary sources of data on Bloc trade and aid, and how useful are they for intelligence purposes?
5. What special problems are created for intelligence by Bloc arms deals in the Free World?
6. What effect have strategic trade controls had on trade between the West and the Bloc?

I shall discuss each of these briefly in the next few minutes. However, it requires no modesty on my part to say that what follows is no more than an introduction to the subjects.

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New Soviet Policy Tool

What the Soviets call "peaceful competition" with the West, particularly Sino-Soviet Bloc trade and development aid to underdeveloped countries, is a reflection of the more subtle foreign policy of Khrushchev as compared to Stalin.

The goals of international communism remain unchanged. There has been no slackening of subversive activity or of military research and development on advanced weapons systems. Soviet leadership, however, presents a peaceful face to the world -- Khrushchev's remark, "to the slogan which says 'let us arm' we reply with the slogan 'let us trade'."

Increases in trade have been spectacular. Since 1954, Soviet trade with underdeveloped countries is up 500 per cent; total Soviet trade with the West is up 100 per cent. Further, the Bloc last year accounted for 36 per cent of Egypt's trade, 33 per cent of that of Iceland, 40 per cent of Afghanistan's, and nearly 25 per cent of Yugoslav trade. It succeeded in obtaining a substantial share of the trade of Syria, Burma, Iran, Turkey and Ceylon.

U.S. Internal Organization For Cold War Intelligence

It became clear to us three years ago that the USSR and other members of the Bloc had embarked upon a long-run program of economic penetration. At that time, we revamped our internal

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organization to provide the essential intelligence support to government policymakers.

As the Bloc program grew, and the magnitude of the threat became clearer, we broadened our list of consumers far beyond the Executive branch of the government. Not only was it important for Congress to be informed, but also influential business groups and the public in general. The Soviet economic challenge, in the words of our Director, Mr. Allen Dulles, had become the most serious challenge our country faced in peacetime.

The pattern of coordinated reporting is now well established. Since February 1956, a working group under the Economic Intelligence Committee has turned out a detailed report every two weeks. This working group is composed of representatives of the Department of State, CIA, the International Cooperation Administration, the Military Services, and the Departments of Treasury, Commerce and Agriculture. Additionally, there is an analytical summary every six months, and a special quarterly report to the President's Council on Foreign Economic Policy. (See Chart 1)

This organizational arrangement provides a mechanism for combining the political, military and economic facets of Soviet penetration activities. Although there is no rigid division of labor between agencies, there are obvious areas of primacy of interest. The Department of State, for example, bears the primary

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responsibility for political analysis, while the Department of Defense prepares all estimates on illicit trading of Bloc arms.

On a broader basis, an annual National Intelligence Estimate is produced which covers not only the size, impact and intensity of Bloc penetration activities, but also relates this offensive to the capabilities, motivations and internal policies of the Soviets.

Soviet Capabilities for Trade and Aid

We concluded in 1956 that the Soviets possessed a far greater economic potential for trade and development aid than they had utilized so far. There were many doubters in our country - people who sincerely believed that the Soviet economy was too weak to engage in economic assistance. However, events in Syria, Egypt, India and Indonesia have borne out the validity of our early estimate.

With respect to trade, total exports of the USSR in 1957 were about \$4 billions, or $2\frac{1}{2}$ per cent of gross national product. This compares with \$18 billions for the U.S., or $4\frac{1}{2}$ per cent of GNP. The Soviet Union, then, is not a "trading nation" in the Western sense. Most USSR trade is still with the Bloc; about 25 per cent is with the Free World. Furthermore, 70 per cent of Soviet Free World exports in 1957 went to developed nations, particularly to Western Europe, rather than to underdeveloped countries.

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The European Satellites, in proportion to total domestic output, carry on far more trade than does the Soviet Union. Their Free World exports to underdeveloped nations amounted to over \$700 millions in 1957.

Communist China is still sending a very high proportion of total exports to the Bloc, about 80 per cent. However, it is a country whose economy is developing very rapidly, and its 1957 exports to underdeveloped Free World nations of about \$500 millions are noteworthy because of the trend of increase than because of the absolute magnitude.

The credit and grant program to underdeveloped areas has totalled only about \$2 billions since 1954 for all Bloc countries. The USSR itself has extended about \$1.2 billions. The present Soviet credit program to underdeveloped areas would have to be increased four times over present levels to reach one per cent of present industrial production in the USSR. If credits to the European Satellites are added to the Soviet bill, the annual outflow has still been only about \$1 billion over the past two years. This is between two and three per cent of estimated Soviet military expenditures.

The limitation so far seems primarily to have been the willingness of Free World countries to accept Soviet offers. This has been true in the case of Turkey and Iran. In Africa, offers to the Sudan, Morocco, Tunisia, and Lybia have been largely unaccepted,

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despite internal pressures for economic development and a growing need for foreign assistance to carry out such programs.

Soviet Motivations

Why are the Soviets pushing for increased trade with the Free World and pursuing a development aid program in the Middle East, Asia and Africa?

First, trade with the industrial west appears to be motivated primarily by economic considerations. This is implicit in Khrushchev's recent frank admission that through an expansion of imports from the West, "The Soviet Union could be given the opportunity of quicker fulfillment of its program for the construction of new chemical enterprises without wasting time on creation of plans and mastering of the production of new types of equipment." Thus, while the USSR could manage without Western machinery, the advanced technology embodied in such equipment would accelerate the modernization of backward Soviet industries. This new Soviet move is fully consistent with the traditional Soviet practice of tapping the technological resources of the West to facilitate its own economic growth.

In payment for stepped up imports of machinery, the Soviets have entered Western commodity markets on an unprecedented scale. Here aluminum, tin, asbestos, petroleum and other Soviet commodities have had a disruptive impact, resulting in considerable speculation that the new Communist policy was one of deliberate economic

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warfare. Our conclusion has been to the contrary - that Soviet exports of industrial raw materials were a logical commercial method of payment for Western equipment.

Bloc trade with underdeveloped areas has a less definitive economic orientation, because the character of the export surplus from these areas is sufficiently similar that choice among them provides the Soviets with a highly permissive situation. Because of the wide range of choice, we tend to identify this trade as politically motivated as opposed to the economic motivation for trade with Western Europe. I think that this is open to question. There is equally a considerable opportunity for choice in Soviet trade with Western Europe. The USSR has always conducted this trade so as to maximize the political opportunity available from it.

Only in this sense has political priority paired with political opportunity assumed -- and may be expected to assume -- an important role in Soviet trade with underdeveloped countries. Soviet participation in the development of these areas, and assumption of a part of the market for their products, contributes directly to the wealth and industrial strength of the USSR. Moreover, Soviet ability to control internal production and distribution and Soviet willingness to negotiate trade on a bilateral basis enhances their opportunity to acquire an increasing share of the foreign trade of underdeveloped countries.

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Perhaps it would be clearer to say that Soviet trade is a social decision or has social motivation. To identify the motives or decisions as wholly "economic" or "political" comes awesomely close to [REDACTED] favorite -- and I had hoped inaccurate -- characterization of economists as those who have an irrational passion for dispassionate rationality.

The basic aspiration of many underdeveloped countries to remain neutral and to play off East and West has been aided by the Bloc program, since it offers tangible evidence that there is an alternative group of countries with whom they can have a wide range of economic relations on attractive terms. Specifically, it has already strengthened the bargaining positions of certain of these countries in their relations with the West, whether in economic assistance or for more military aid.

You may have heard of the grass hut meeting of the tribal leaders in one of the "least developed" African states. The chief tells his followers,

"Now, here's the plan. We ask the Russians to send cultural ambassadors. The West gets worried and asks for equal representation, and we invite them. Then, when we get all those white men in here, we eat them up."

The economic offensive has not as yet made any of these countries subservient to the USSR, but it has contributed to making some of them more responsive to the influence of the Communists

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and less responsive to that of the West. This could have an important strategic impact through the cancellation of Western military base rights in the Middle East and Africa. The eventual Soviet objective is, of course, to bring these countries into the Communist Camp. However, at present Soviet policy calls for the support of the "national bourgeoisie" in these nations -- Nasser, Soekarno, and Nehru -- just as they once supported Chaing Kai Shek. There is much political hay to be made by supporting the present leaders in their various frictions with the industrial West.

The Soviets have been quick to take advantage of the difficulties that one - product economies get themselves into. Take, for example, their fishing in the troubled waters of Iceland. In five years, Soviet imports from Iceland increased from nothing to one-third of what that nation had to sell. The Soviet loan offer of \$25,000,000 at 2 per cent interest for twenty years at first blush seems small. But when we remember that Iceland is a country of only 160,000 people, this offer amounted to \$150 per capita, an amazing amount of money. On a per capita basis, it would be equivalent to a loan offer of nearly \$7 billions for a country such as France. It is not surprising that Communist influence and prestige have grown in Iceland.

While difficult to measure, there has been a major psychological impact in the underdeveloped countries. Military aid and

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prestige projects have had the greatest impact. The economic drive, in concert with its industrial and scientific accomplishments, has enhanced Bloc prestige by giving substance to its claims that it is devoted to peace, that it is overtaking the West, and that it represents the wave of the future.

The economic offensive has also provided the Soviet Union with assets which may in time be useful in some areas as part of its overall effort to move countries beyond neutralism toward closer alignment with the USSR and the Bloc. The increased size of diplomatic missions, as in their embassy in Montevideo and Djakarta, makes it easier to spread the Communist faith. However, with few exceptions, we have not found Bloc technicians engaging in subversive activities. Present trade and aid programs do, of course, provide future levers of influence.

The economic offensive has affected the fortunes of local Communists differently in different countries. In a number of countries, the economic drive has aided their cause by increasing Communist respectability, lessening apprehensions concerning Soviet objectives, and providing additional instruments both for propagating Communist ideas and increasing subversive potential. Communist influence has also been abetted by the influx of Bloc technicians and by a greater flow of local trainees to Bloc countries for instruction. *Contra case - fewer and lesser influence*

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The USSR, as the leading country in the Bloc, and Communist China, as a potential contender for supremacy within the Bloc, have greater stakes than the European Satellites in the political cold war. Because of their need for agricultural and industrial raw materials, the European Satellites activities have been more heavily weighted by economic considerations. China has the special incentive of gaining greater recognition on the world scene, and is adapting its foreign trade to its political aspirations. A recent incident makes this clear. After negotiating an exchange agreement with industrialists in Japan amounting to nearly \$200 millions, China suddenly placed an embargo on all trade with Japan, a transparent move intended to force the Kishi government in Japan to extend a greater degree of recognition to China. The rice-rubber agreement with Ceylon under which China paid premiums for rubber totaling more than \$50 millions over a five year period was motivated by obvious aspirations to break Western trade controls.

Characteristics of Bloc Aid Programs

We have found a number of common characteristics in the Bloc development aid programs in underdeveloped nations. First of all, their prescription is applied on an integrated basis - a line of credit, plus technical assistance and training, and in most cases, a commitment to long-term trade. The ability to repay in commodities of the underdeveloped nation has great appeal, particularly

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if it is having difficulty in marketing exportable products at adequate prices.

Secondly, the Soviet program is almost entirely a credit program. Interest rates are low - 2 or $2\frac{1}{2}$ per cent. Repayment usually begins after the project is completed. Amortization is usually over a 12 year period. While our Western interest rates are higher, our repayment terms are often far longer, running from 30 to 40 years.

Thirdly, the Soviet program usually covers only the foreign exchange costs of a project. Financing the balance of the project must come from internal resources. Western development loans have assisted in providing some of the internal financial requirements through various devices.

Fourthly, Bloc economic credits are usually related to industrial development. They are for sugar mills, cement plants and textile mills rather than for sanitation, sewage, or housing development.

Fifthly, these industrial programs are aimed at increasing the public, or socialized sector of the economy, rather than the private, or free enterprise, sector. Thus the Russian built Indian steel at Bhilai is a government owned plant, whereas the U.S. built plant at Jamshedpur is a privately owned expansion of Tata.

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Finally, they are independent of military pacts. No Free World underdeveloped country receiving Bloc military or economic assistance is a member of a Bloc military alliance. This practice disarms many; it lends at least surface credence to the Soviet line that, "There is nobody here but us peace loving Russians," as the military and economic technicians pour in.

Sources of Information on Bloc Economic Aid

Aside from the difficult question of attempting to distinguish which part of the Bloc's economic penetration activities in underdeveloped countries is motivated by political ends, we have encountered rather formidable difficulties in estimating the magnitude of Bloc economic assistance to underdeveloped countries. Considerable information is usually available from open sources regarding the amounts of economic assistance which Bloc countries promise to deliver to Free World countries. Soviet agreements in particular are widely publicized, especially when large lines of credit are extended. Surely by now, a large portion of the population of the Free World must know that Afghanistan has received a \$100 millions credit and Egypt a \$175 millions credit from the USSR. More important for our purposes, however, the actual texts of many of the large agreements have been officially released.

But even when no value figures are announced, sufficient information is usually available through reports prepared by our attaches

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so that we can estimate the approximate total cost and the foreign exchange component of an economic assistance agreement. Also, reports obtained through either overt or covert channels from Western industrial firms who have commercial contacts in underdeveloped countries can provide such data. The cost of the petroleum refinery Czechoslovakia is building in Syria, for example, was estimated in part on the basis of information we obtained from a Free World corporation whose bid on the project was rejected.

We are confident that our estimates of the value of economic assistance promised by the Bloc to underdeveloped countries is fairly accurate. We believe that our estimate of the total is within 5 per cent of the correct figure and that our estimates for individual countries are no more than 10 per cent in error.

The confidence that we have in our estimates of Bloc performance on assistance agreements is considerably less than this. So far, however, we have published estimates of only the minimum amount of assistance actually provided. Such an estimate is of some value, but it provides inadequate answers to several pressing questions. In particular, it does not enable us to determine the amount of indebtedness or the rate of loan amortization of a country receiving credits from the Bloc.

The major cause of the difficulty in assessing the implementation of Bloc assistance agreements is the lack of information.

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Debt statements and ministerial reports of recipient countries occasionally are helpful. It is exceptional for officials in underdeveloped countries to be candid in discussions of Soviet projects with U.S. attaches.

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We also feel the need for much more information on the success the Soviets may be having in attempts to create an image of respectability, peace and progress, and the only real champion of underdeveloped countries.

Special Problems of Bloc Arms Deals

Estimations of the value of military assistance involve considerably greater difficulties than estimates of economic assistance. The publicity attending the signature of an economic assistance agreement is notably absent from the negotiation of military agreements.

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When Bloc prices of specific military items are available we use them to convert our estimates of physical units to value terms. In some instances, we have had to use U.S. prices for similar items in order to arrive at an estimate for total military assistance. Consequently, these

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estimates may be considerably in error. We believe that our estimates in terms of physical units are reasonably accurate, but we are aware that our estimates in terms of value may be in error by 25 per cent or more.

The most significant consequence of having questionable value estimates is that we cannot determine with precision the financial indebtedness to the Bloc of those countries receiving Bloc military assistance. There would be much intelligence significance, for example, in a reliable determination of the amount of cotton Egypt is shipping each year in repayment for the arms it has received from the Bloc. The difficulties involved in determining the indebtedness, especially in the case of Egypt, are compounded by the fact that some of the arms delivered have been obsolete, some have been sold at a discount, and some apparently have been given without charge. Moreover, some of the Bloc arms shipped to Egypt and Syria have been sent on to be used in other areas. Although we believe that the amount involved is small, we are not certain who ultimately will pay for the goods.

Sources of Data on Trade

Collection of trade data is considerably simplified by the fact that most Free World countries issue periodic reports on the value and pattern of their foreign commerce. We do not have to depend solely on Communist orbit sources for data on Bloc trade with Free World countries. Statements issued by Bloc

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countries, as well as information obtained through clandestine sources, provide a means of cross-checking sources. When there is a difference between an estimate we have made on the basis of official Free World compilations and a claim made by a Bloc country, we do not automatically assume that the Communists are lying.

Our early estimate of Soviet shipments of machinery and transport equipment to underdeveloped countries in 1956, for example, was approximately 20 per cent of the amount claimed by the USSR. The discrepancy between the Soviet figure and our early estimate, we ultimately concluded, was probably a matter of item classification. Underdeveloped countries often have untidy or inexact customs procedures. Even when a standard classification system is used, customs officials are frequently lax in establishing proper criteria to be used by their operating personnel. Indian practices are particularly annoying in this respect. In their official reports of commodity imports as much as two-thirds of total imports from the USSR have been listed in the "all other," an unspecified category. Since among the underdeveloped countries India is a major customer of the Bloc, the errors in India's commodity reporting may have considerable impact on our estimates of total Bloc trade.

Other underdeveloped countries have similar bad habits. Most of them publish trade data in a very leisurely fashion. None is up to date in releasing statistics on commodities. No country

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includes in its reports shipments of military items. There are the usual problems of reexports by third nations, compounded in the Soviet case by the employment of brokers and trading fronts for sensitive transactions. Finally, countries which have multiple exchange rates, such as Egypt and Argentina, cause particular difficulties when we attempt to evaluate their trade in terms of dollars.

New Tasks for Intelligence

It is not enough for intelligence to measure current trends in Bloc trade and aid. We have, in addition, the important task of anticipating future Soviet moves, of pointing out where economic, military or political problem areas are developing which could present the Bloc with opportunities for exploiting weaknesses. This must be done early in the game if Western policymakers are to have an opportunity to move in first or to capitalize on some action of the Bloc.

Finally, there is a need for detailed performance information on Bloc development programs. Part of all our governments' efforts in underdeveloped nations is to persuade these newly emerging countries, to highlight the dangers of dealing with the Bloc, and to point out the advantages of dealing with the West wherever possible. So we need to report not only that country X received a cement plant from the Bloc, but also to report the plant's cost, reliability, quality of product and relative

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efficiency.

Both in the anticipation of future Bloc moves, and in the detailed analysis of Bloc development aid performance to date, I believe that we in the intelligence field need to do a lot more work.

Strategic Trade Controls

The other side of the cold war coin is the strategic trade control program. We in CIA play a major role in providing the inter-agency committee structure of the U.S. Government with intelligence support in the development and enforcement of international and U.S. security export controls against the Sino-Soviet Bloc. This intelligence support consists primarily of estimating the significance of certain Free World commodities, technology, and services to the war potential of the Bloc. U.S. unilateral controls, as you are aware, are broader than the multilateral controls.

There are two major interagency committees involved in the control of strategic exports. One committee deals with problems concerning multilateral export controls and their enforcement, and the other committee handles problems relating to unilateral export controls and their enforcement. The CIA participates in an advisory capacity at each level of these committees up through the National Security Council. (See Chart 1)

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The Soviet leadership repeatedly has inveighed against Western export restrictions for their alleged inhibiting effects both on the level of trade and on the improvement of political relations between the Bloc and the West.* Soviet claims that export restrictions, particularly those of the U.S., have caused the low level of trade over-simplify and distort the picture. Despite controls, there has remained a wide area free of restrictions in which the Soviet Union could trade -- provided it had the will to do so. Exports of European COCOM countries even excluding clandestine trade to the USSR have increased consistently since 1950, with the single exception of 1953 when they declined by about 10 per cent below the 1952 level. By 1957 they were 4 times the 1950 level -- the year controls were instituted. Obviously, COCOM controls as such have not been a serious damper on Soviet imports when the USSR has felt it politically expedient or economically advantageous to import from the West. Similarly, the fifteen fold increase in Soviet

*Khrushchev, in the past, has emphasized that the Soviet Union's desire to expand trade with the United States was not the result of any one particular economic need but rather represented primarily political goals. In an interview with five visiting US Senators on 12 September 1955, he declared, "We do not want your machines to create atomic energy or to build hydrogen or atomic bombs, we have plenty of machines ourselves that can do that. With us questions of trade are not mainly economic. They are political. We want more trade because we think that it will help to improve political relations."

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purchases from the U.S. in 1957 compared with 1955 has occurred despite the absence of any noticeable modification of U.S. export policy vis a vis the USSR.

Thus the low level of US-Soviet trade cannot be attributed to any one factor unless it be the political climate surrounding US-USSR relations in general. The traditional Soviet objective of self-sufficiency for the planned economy of the USSR, the virtual boycott on purchases from the U.S. during the period 1950-55 (perhaps in the hope that the near cessation of such purchases would stimulate commercial pressure for relaxation of controls) and a deliberate Soviet design to divert purchases, where alternative markets were available, to areas where they would reap more significant political rewards, have all been a greater depressant on US-Soviet trade than either U.S. controls or the attitude of the U.S. business community.

Reports on Bloc exports and imports are often useful in pointing to economic strengths or weaknesses in the Bloc. One can easily exaggerate an apparent economic strength or weakness by relying solely on commodity trade data. The USSR, in particular has sometimes exported machinery and equipment known to be in domestic short supply (rolling mills and agricultural machinery, for instance) when such exports have been judged to be of net Soviet advantage. Similarly, in Soviet purchases from

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underdeveloped nations, it is only normal prudence not to seize on every import of foodstuffs or industrial raw materials as absolute proof of economic weakness.

Commodity studies of Bloc foreign trade will rarely reveal anything more than specific short-term soft spots in the production pattern. This type of information is useful for trade control purposes, but it is inadequate as an indicator of the overall capability of the Bloc to achieve its objectives in the cold war. The basic capability of the Bloc is revealed only in a close survey of its economic structure and its production and growth characteristics. The basic facts are the \$180 billions of current gross national product for the USSR and the annual growth rate of about 10 per cent in Soviet industry; a GNP of nearly \$70 billions for the European Satellites and of over \$60 billions for China.

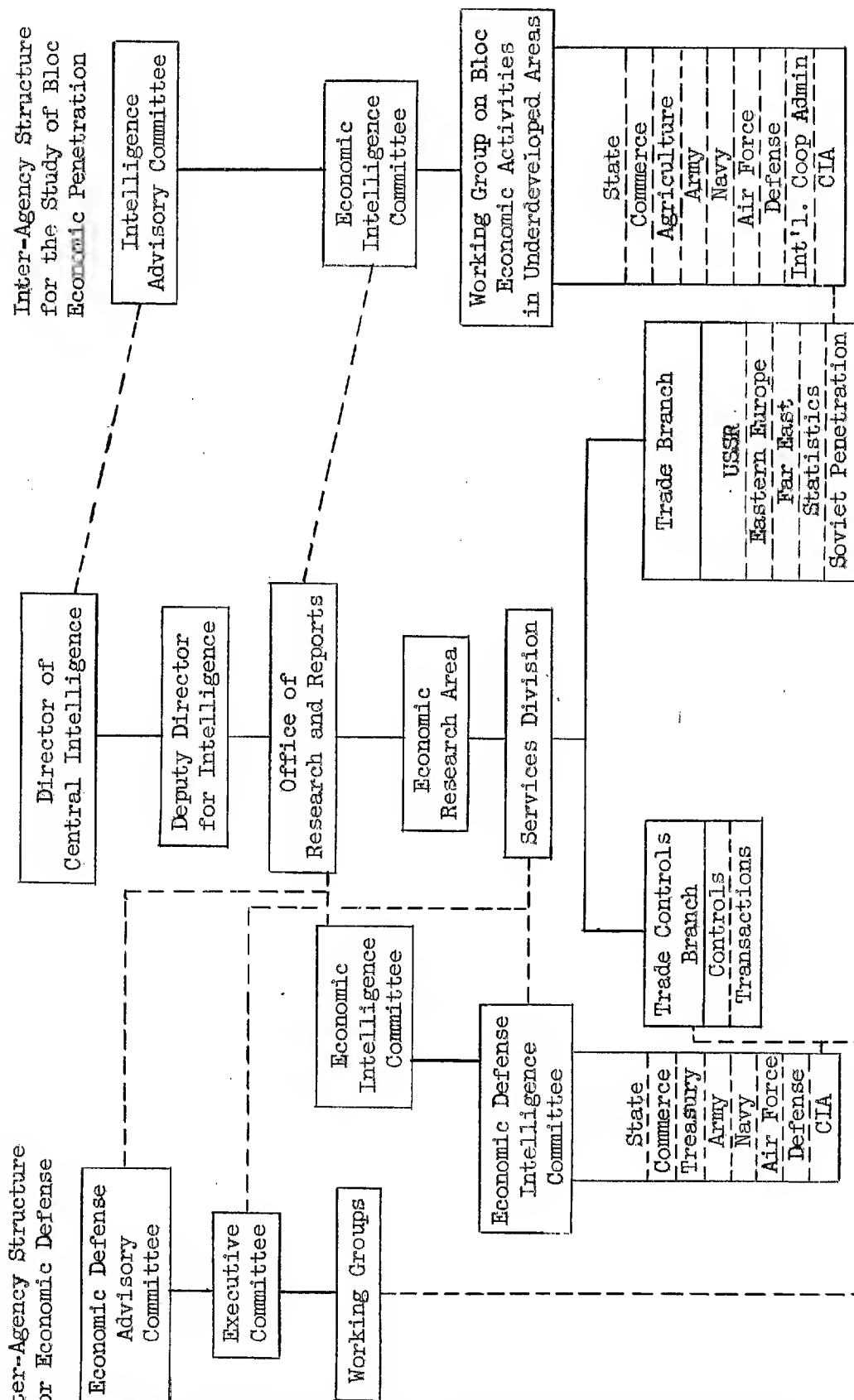
Institutional characteristics, in particular the bilateral nature of Soviet trade, the isolation of the Soviet price structure, and the inconvertibility of the rouble, may cause serious problems in the future Free World trade of the USSR. They have not seemed to be a serious constraint so far.

To determine Bloc economic weaknesses and strengths, and to estimate the impact of the strategic trade control program as a whole, we look primarily to Soviet domestic production

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capabilities. The large and rapidly expanding production capacity of the USSR, complemented by the European Satellites and to an increasing extent by Communist China is impressive.

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Table 1

Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World
1 July 1958 a/

<u>Free World Country</u>	<u>Bloc Country</u>	<u>Project</u>
Egypt	Czechoslovakia	Ceramics factory
		Water filtration plant
		Shoe factory
		Cement plant
		9 bridges
		Bicycle factory
	East Germany	High-tension line
	Hungary	El Tabbin power station
		Nile River bridge
		3 small revolving bridges
	Poland	Oil storage tanks (21)
		Swing bridges
	USSR	Atomic energy laboratory
		Oil research plant
		Projects under \$175-million line of credit:
		3 textile factories
Ethiopia	Bulgaria	Meat packing plant

a. Including projects financed under commercial credits and long-term credits extended both to governments and to private organizations. Construction projects are included after preliminary surveys have been made.

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Table 1

**Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World
1 July 1958
(Continued)**

Free World Country	Bloc Country	Project
Syria	Bulgaria	Grain elevators Port development
	Czechoslovakia	2 sugar refineries Petroleum refinery
	East Germany	Weaving mill Textile factory Textile equipment Cement plant
	USSR	Textile machinery
Iran	USSR	Hydroelectric and irrigation projects Grain elevator Port dredging, Bandar Pahlevi
	Poland	Sugar mill
Greece	Czechoslovakia	Telephone installations
Turkey	Czechoslovakia	Ceramics plant
		Diesel motor factory
		Cotton mill
		Textile factory
		Brick factory

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Table 1

Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World
1 July 1958
(Continued)

<u>Free World Country</u>	<u>Bloc Country</u>	<u>Project</u>
	East Germany	Wool spinning mill Tractor hall and water tower 4 textile factories
	Hungary	Vegetable oil plant Power plant Flour mill
	Poland	2 powerplants
	USSR	Glass factory
Yemen	Czechoslovakia	Cement factory
	Communist China	Road construction Textile factory
	East Germany	Telephone and electric power net- work
	USSR	Port construction
Sudan	East Germany	Cotton mill
Afghanistan	USSR	Silos, flour mill, and bakery Silo, Pul-i-Khumri Municipal and public works: Road paving, Kabul Asphalt factory, Kabul

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Table 1

**Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World
1 July 1958
(Continued)**

<u>Free World Country</u>	<u>Bloc Country</u>	<u>Project</u>
Afghanistan (Continued)	USSR	<p>Projects under \$100-million line of credit:</p> <p>Salang Pass road Bagram airfield Jungalot machine shop complex Physics and chemical laboratory Naghlu hydroelectric project Pul-i-Khumri II hydroelectric project Kabul fertilizer plant Herat and Pul-i-Khumri vehicle repair shops Mazar-i-Sharif glass factory Kabul airport Darunta irrigation project Sardeg, Palto, and Kharwar irrigation dams 3 POL storage tanks Port of Qizil Qala Petroleum exploration</p>
Afghanistan	Czechoslovakia	<p>Jabal-us-Seraj cement plant Pul-i-Khumri cement plant Kandahar fruit cannery Kabul brick and tile kiln Kabul and Herat tanneries Kabul shoe factory Baghlan cheese factory Coal mining equipment</p>

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Table 1

**Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World
1 July 1958
(Continued)**

<u>Free World Country</u>	<u>Bloc Country</u>	<u>Project</u>
Burma	USSR	Technological Institute Hospital, Taunggyi Hotel, Rangoon Farm implement factory 2 irrigation dams
	Communist China	2 textile factories
Ceylon	Czechoslovakia	Cane sugar factory Central workshop for buses
India	USSR	Bhilai steel plant Projects under \$126-million line of credit:
		Heavy machine building plant Powerplant for lignite project Korba coalfield development Optical glass factory Petroleum exploration Bombay Technological Institute (under UN).
		Oil drilling

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Table 1

**Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World**

1 July 1958

(Continued)

<u>Free World Country</u>	<u>Bloc Country</u>	<u>Project</u>
India (Continued)	Czechoslovakia	Sugar refinery, Panipat Sugar mill, Assam Cement plant, Assam Sugar refinery, Madras Thermal power station Foundry forge project
	Poland	Sugar refinery, Tanjore Capital equipment for manufacture of electric motors
	East Germany	Textile machinery Raw film factory
	Rumania	Petroleum refinery Oil drilling
	Czechoslovakia	Tire factory
Indonesia	East Germany	Sugar refinery
	USSR	Glass factory Projects under \$100-million line of credit: 10 ships 2 tankers
	Poland	24 ships

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Table 1

Selected Sino-Soviet Bloc Developmental Projects
in Underdeveloped Countries of the Free World
1 July 1958
(Continued)

<u>Free World Country</u>	<u>Bloc Country</u>	<u>Project</u>
Pakistan	Czechoslovakia	Expansion of cement plant in West Pakistan
Iceland	Czechoslovakia	Hydroelectric units and power transformer stations
	East Germany	Fishing vessels Projects under \$110-million investment credit.
Yugoslavia	USSR	Coal mining combine <u>b/</u> Nitrogen fertilizer plant <u>b/</u>
	USSR and East Germany	Aluminum combine
	USSR	Nuclear reactor
Argentina	Czechoslovakia	Coal-washing plant

b. Progress suspended in May 1958 as the result of the "postponement" of the unutilized balances of the Soviet \$110-million investment credit and the joint Soviet-East German \$175-million credit.

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Table 2

**Summary of Sino-Soviet Bloc Economic Credits and Grants*
to Underdeveloped Countries of the Free World
1 January 1954 - 1 July 1958**

Million US \$		
<u>Area and Country</u>	<u>Extended</u>	<u>Obligated</u>
Middle East and Africa		
Egypt	255	255
Iran	3	3
Syria	194	27
Turkey	10	7
Yemen	16	12
Total	<u>478</u>	<u>304</u>
South and Southeast Asia		
Afghanistan	128	110
Burma	42	2
Cambodia	22	22
Ceylon	50	19
India	336	302
Indonesia	165	79
Nepal	13	13
Pakistan	2	2
Total	<u>758</u>	<u>549</u>
Europe		
Iceland	5	5
Yugoslavia	220	159
Total	<u>225</u>	<u>164</u>

* Does not include military credits and grants.

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Table 2

Summary of Sino-Soviet Bloc Economic Credits and Grants
to Underdeveloped Countries of the Free World
1 January 1954 - 1 July 1958
(Continued)

Million US \$		
<u>Area and Country</u>	<u>Extended</u>	<u>Obligated</u>
Latin America		
Argentina	6	6
Brazil	2	2
Total	<u>8</u>	<u>8</u>
Grand total	<u>1,469</u>	<u>1,025</u>

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